

COMMENTS ON NEW RULING - REGULATION 6660

About a year ago, Pink Sheets gave up its power to list securities for trading on its system by requiring that all new listings be first approved by the NASD through 211 applications submitted by sponsoring brokers. In the face of Regulation M issues, and opening themselves up to a potential increase in NASD disciplinary actions, most brokerages declined to risk submitting such applications for issuers in the face of diminishing rewards versus increasing risks. In its pursuit of "transparency" the NASD has demanded in effect that brokers act as NASD "policemen" and go to much greater lengths in conducting due diligence on 211 applications, even though the SEC's formerly proposed Rule contained in Release No. 34-41110; File No. S7-5-99 sets forth that the broker is expected to spend only about 4 hours on such due diligence. This proposed rule that the NASD constantly uses was never adopted by the SEC, and the NASD is using its own power over the broker's licensing in order to impose 34-41110 "Red Flag" issues on 211 applications, creating an undue burden on the submitting broker.

Now with the new Regulation 6660 it appears the NASD has assumed the power onto itself to de-list trading of securities on the Pink Sheets, a trading system that we thought was independently owned and operated. The end may justify the means, but it is being dictated by a quasi- governmental action. Although the NASD wants to become more friendly and benevolent to brokers and their client investors, this new Regulation does not express it. In my opinion the NASD must tread much more lightly in interfering with the trading status of issuers, or face the further movement of securities trading activities and clearing to offshore venues.

These are challenging times for the American securities industry; let's hope that the NASD is up to it in pursuing its future plans and actions without imposing additional expensive burdens and obstacles, penalizing American brokers and clients as a result. Isn't the satisfaction of the investor the ultimate goal? Where does the industry draw the line at over protecting him or her? Obviously, investor's risks will be minimized when they don't invest at all.

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